

Nice Grid You've Got There Mind Paying For It?

FERC's June deadline forces a transmission cost reckoning

FERC's June Deadline & End of the Large-Load Grey Zone

For the last year and a half, the economics of siting a gigawatt of data center load behind an existing generator in PJM have relied on a simple pricing asymmetry: the transmission system was physically relied upon but effectively unpaid for. Because co-located loads synchronize to PJM through their generator, they benefit from the grid's existence; but today's rules let them draw that benefit without contributing meaningfully to transmission costs. That window is closing on a specific date.

Last week, on April 16, FERC set a June 2026 deadline to act on Docket RM26-4-000, the large load Advance Notice of Proposed Rulemaking (ANOPR) initiated by the Secretary of Energy in October 2025 to reform how the grid integrates data centers and other large consumers. Whatever emerges will be the framework by which the industry must reprice assets.

Context. Load growth is immediate, queue-based supply is delayed, and co-location emerged as the market's workaround. FERC has been filling in the gaps ad hoc: the December 2025 PJM co-location order (which created new transmission service categories for large loads sharing a site with generation), the January 2026 approval of SPP's High Impact Large Load (HILL) initiative (a fast-track protocol for interconnecting large loads and associated generation), and case-by-case tariff rulings across Q1. The June deadline converts that patchwork into a blanket rule, now shaped by 3,500+ pages of comments and overlays from the National Energy Dominance Council and the White House's Ratepayer Protection Pledge.

The Architecture Taking Shape

Co-location is being codified. The December PJM order didn't give hyperscalers a shortcut, it created new transmission service categories still being litigated. Loads that can electrically cap their withdrawals from the grid will be treated as grid-connected participants with cost obligations, not as islanded enclaves behind a shared fence line.

Minimum charges are coming. Commissioner Chang's concurrence to the December order laid out the cleanest version of the argument: a co-located load is physically tied to the PJM grid and benefits from it whether or not it draws energy, so it should pay something toward grid costs. That reasoning will likely shape the final rule FERC sets after the hearing. The size of the floor is the next battleground; the existence of it is close to settled.

The politics flipped the default. Any framework emerging from RM26-4 will be stress-tested against one question: Do residential and small-business customers have to pay more, less, or the same, for power when a data center moves in? In 2026, that is the binding constraint.

The Cost-Shift Firewall. PJM spent an average of \$10.81 billion annually on transmission across 2024–2025. By contrast, Regulation and Black Start – the only two grid services a zero-withdrawal co-located load (one drawing all its power from the on-site generator and none from the grid) would actually pay for today – generated just \$206 million in combined revenue last year. That's roughly 2% of transmission cost, collected through ancillary fees that have no structural link to maintaining the grid itself. Closing that gap changes the unlevered economics of new co-location projects by a non-trivial margin.

The Key Question & Implications

If co-location is no longer a pricing advantage, what is it? If FERC increases fees on new load in order to compensate for the transmission cost differential, co-location essentially becomes a queue-bypass play. However, it's likely that queue-bypass pricing will erode as FERC and PJM chip away at the backlog. If this happens, then the strategic rationale for co-location altogether could diminish.

- **Base case (highest probability):** FERC codifies a minimum charge tied to O&M plus PJM administrative costs. Co-location remains viable but with narrower margins. New deals get repriced; projects in development but not yet at final investment decision with thin coverage ratios face duration risk – the risk that transmission costs rise between now and financial close, squeezing economics before sponsors can lock in contracts.
- **High case (ratepayer-hawkish):** Minimum charge includes a capital recovery component. Co-location economics compress materially. Some marginal projects move behind the meter via full islanding (with all its reliability trade-offs) or pivot back to front-of-the-meter interconnection despite queue delays.
- **Low case (industry-accommodative):** Minimum charge is set at administrative cost floor only; material cost-shift risk remains, meaning transmission costs driven by co-located loads continue to be absorbed by residential and small-business ratepayers rather than the loads themselves. Politically unstable; expect challenges from state regulators and consumer advocates, with revisions within 12–18 months.

Investment Takeaways

1. Assets with co-location exposure face a wide range of outcomes in June. Generation projects already tied to co-located data center contracts could see their economics swing significantly depending on where FERC lands. Sponsors and investors should stress-test cases across the full range of rulings rather than anchor on a single expected outcome.
2. Queue-cleared assets regain relative value. If co-location loses its pricing advantage, developers will pivot back to conventional interconnection; the few projects that have already navigated the queue will command a premium as scarce near-term supply.
3. Capacity price formation is now policy-mediated. Forecast models that treat capacity prices as pure market outputs will miss the regime shift.

Bottom Line

RM26-4 is the moment that the large-load regime stops being a set of workarounds and becomes a framework. Capital deployed on the assumption that co-location is a durable arbitrage should be re-underwritten. Capital deployed on the assumption that FERC is moving toward cost causation, not away from it, is positioned correctly for June.

Noreva tracks ANOPR developments and their pricing implications across PJM, MISO, and SPP capacity and transmission constructs. For scenario analysis on co-location economics under alternative minimum-charge regimes, our advisory team is available.

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